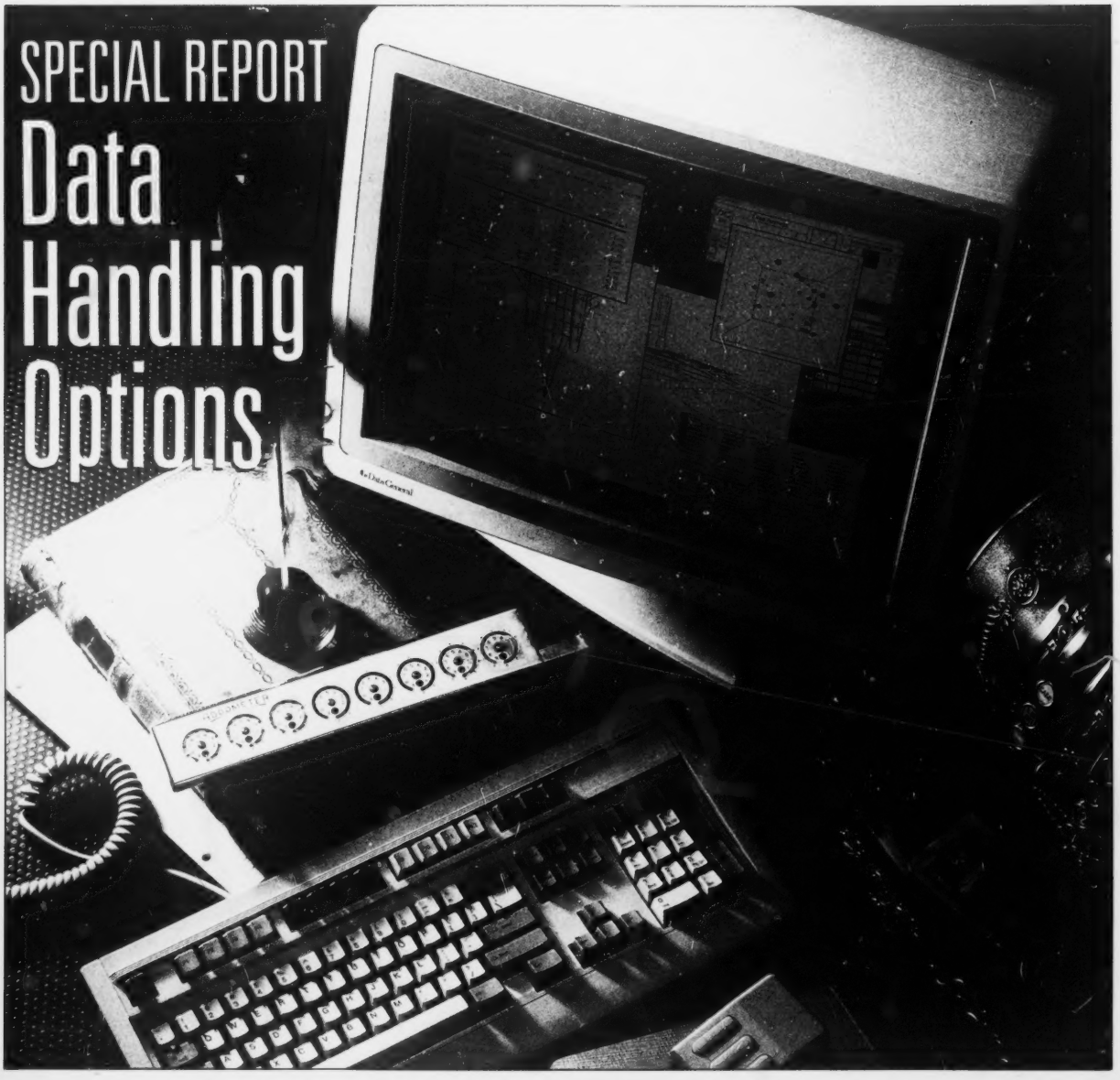
JUNE 1989
A CAHNERS PUBLICATION

Industrial Distribution

THE BUSINESS MAGAZINE FOR INDUSTRIAL DISTRIBUTORS



SPECIAL REPORT
Data Handling Options

Industrial Distribution

THE BUSINESS MAGAZINE FOR INDUSTRIAL DISTRIBUTORS

VOL. 78, NO. 6 JUNE 1989 A CAHNERS PUBLICATION

Technical advances do make data easier to manipulate, but they also provide you with more information to think about; p. 19.

Cover art supplied by Data General

EXCLUSIVE SURVEY

5 Salary Survey

Fill out the questionnaire now; read the results in November—ALL replies kept CONFIDENTIAL.

COMPUTING TECHNOLOGY

19 Pick a winner

Opt for an operating system that organizes your computer in a way that suits your business.

27 Directory of computer suppliers

You'll want to keep this updated list of corporate names, addresses, phone numbers, and sales contacts for a full range of suppliers.

MANAGEMENT

33 Turn-on achievers; pull-in profits

Here's a review of ways to deploy human capital to improve productivity and profitability.

CONVENTION REPORT

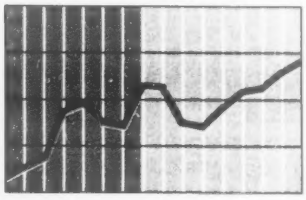
39 T.I.D.C. focuses on quality

Attendees at The Industrial Distribution Convention had ample opportunity to learn the first rule of distribution: Quality counts!

MANAGEMENT

17 Inside Distribution

51 Business Report



Home construction cooling.

53 Supply Outlook

60 Clifton's View

JIT's significance for the U.S.

SALES & MARKETING

41 Strictly for Sales

DISTRIBUTOR'S UPDATE

7 Distribution Briefs

Kennametal to buy Garrett; Torrington wins dumping case.

9 News

Suppliers sound off on buying groups; IMC show set.

57 Advertisers' Index

PROFITABLE IDEAS

43 Product Spotlight

Cordless power tools.

45 New Products for Profit

The latest products available from leading suppliers.

49 Literature

57 Business Staff

58 Classified Marketplace

his company supports the marketing group because it provides his company with an opportunity to improve efficiency.

According to Pendleton, since ID One represents 33 distributors, it's now possible for his field sales people to make one sales call instead of 33. In addition, ID One could run national promotions, he says.

"The only validity for any change in the current system is that by working together, we can reduce costs," Pendleton notes. "What the industry needs to focus on is how the distribution process can be made more efficient. Sure we have passed off some market allowances, but only because we've been able to reduce costs."

IS THE INDUSTRY REGROUPING?

In a presentation to the Industrial Distribution Assn. (I.D.A.) earlier this year, Kenneth G. Hardy, professor of management at the University of Western Ontario, maintained that the tendency in industry is that one buying group leads to the formation of another buying group.

While Hardy's analysis is widely accepted as the conventional wisdom and may ultimately come to pass, Jack Holloway, president of Holloway Bros. Tools, Inc. (Wilmington, DE), says he has observed a different trend.

Holloway says that instead of forming buying groups, non-ID One distributors are now doing business with non-ID One manufacturers. In fact, without naming the manufacturer, Holloway says that he and several other distributors earlier this year left an ID One manufacturer for a non-ID One supplier.

Notes Holloway, "The entire purpose of a buying group goes against the grain of the value added marketing concept of this business. I don't see why an ASMMA-type manufacturer, who has historically marketed his product on the basis of value-added features and benefits, would allow ID One or any buying group to reduce his product to a commodity. I think what you'll continue to see is a reshuffling of the marketplace."

Every manufacturer interviewed, whether they sold to ID One or not, refused comment on Holloway's contention that the marketplace is regrouping. All former ID One president Murray Miller would add on the topic is that any regrouping going on is part of the "ordinary flow of the industrial supply business."

To date, it is still unclear as to whether the industry will form additional buying groups, or if ID One will wield the power that some fear. What is clear however, is that even the most prosperous of manufacturers will have to deal with the presence of ID One. □

NFPA informing distributors about standardized codes

MILWAUKEE, WI—The National Fluid Power Assn. (NFPA) has launched a campaign to inform distributors that the codes for imports and exports have been standardized.

According to Stephen Latin-Kasper, NFPA's statistical services manager, the standardization of the codes, known as "harmonization," is the result of an effort by the industrial nations to obtain a more accurate record of imports and exports. The codes standardized include The Tariff Schedule of the United States Annotated (imports) and Schedule B (exports), he explained.

"For years, we really didn't have a handle on what was coming in or going out of the U.S., and the same held true for the other industrial nations," noted Latin-Kasper. "This move should give us a better grip on our data."

Latin-Kasper said that under the new system, the first six digits of each 10-digit code will be identical throughout the world for both imports and exports. The new system went into effect in the U.S. Jan. 1, 1989 as part of the Trade Bill of 1988 signed by former President Reagan, he noted.

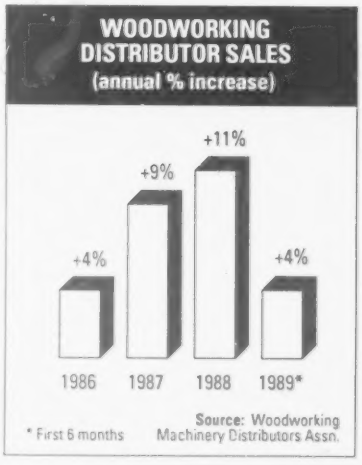
Said Latin-Kasper, "The point for distributors that do importing and exporting, is that these are the codes they should be using to fill out their paperwork. Our informal polling found that most distributors did not know about the changes."

For more information call NPFA at (414) 778-3344. □

Woodworking sales continue 4th year of growth

PONTE VERDE, FL—The nation's distributors of industrial woodworking machinery and sawmill equipment are projecting a 4% increase in sales for the first 6 months of 1989 over the same period last year.

According to R. Franklin Brown, Jr., the executive vice president of the 100-member Woodworking-Machinery Distributors' Assn. (WMDA), this increase follows three years of steady growth (see chart).



News of continued rising sales greeted the distributor group as they began their annual joint meeting with members of the Wood Machinery Manufacturers of America. Kathleen Byrnes of the Pennsylvania-based distributorship Richard T. Byrnes Co., credits strong sales on particularly strong milling activity in the Pacific Northwest and high productivity levels among furniture manufacturers in the Carolina's.

Byrnes, who recently completed a two-year term as WMDA's president, said that a "reasonable" housing and cabinet remodeling market has contributed to the industry's strength. However, according to Cahners Economics, after six strong years of robust activity, furniture markets are now likely to soften.

During 1988, production of residential furnishings increased 4.2% and commercial furniture shipments grew 6.3%. In 1989, sales of interior furnishings are expected to settle at around 1% real growth, while residential remodeling will experience another good year with spending levels up 4.4% over 1988.

Robust distributor sales have been matched, and in some cases surpassed, by increased sales among cutting tool manufacturers selling to woodworking markets. Said Fred Garmes of Vermont American's DML Div., "We're looking at first quarter sales of 12-to-15% higher than last year's numbers, and we'll probably finish 1989 that way."

Calling the furniture market somewhat "flat," Steve O'Brien, president of Onsrud Cutter Manufacturing Co., nonetheless proclaimed both 1988 and the first quarter of 1989 as his company's "best ever." O'Brien said that the need for closer tolerances in machining woods and other non-ferrous materials has ideally situated his company's line of fixed routing tools used in CNC machining.

The Illinois-based manufacturer said that near net manufacturing techniques and the auto industry's move away from metals has ultimately benefitted Onsrud as well as its distributors. "Woodworking machinery distributors are no longer tied just to furniture markets and mobile homes," said O'Brien. "Today there are opportunities in aircraft manufacturing, circuit boards, plastics and composites. That's one of the reasons we're doing so well." □

IMC show set for this November

CHICAGO, IL—"Motion Control Solutions Through Converging Technologies" is the theme of the 1st Industrial Motion Control Show (IMC) to be held later this year at Chicago's McCormick Place.

Scheduled for Nov. 13-15, IMC features several leading industry authorities, who will explain how the convergence of the three major technologies—electrical/electronic, mechanical and fluid power—will enhance manufacturing productivity during the 1990s.

According to IMC Show Manager Don Berey, the 3-day conference will consist of technical sessions, issues-oriented seminars and panel discussions that will explain how the three technologies interface on the factory floor. An adjoining exhibit area displaying more than 200 motion control product categories will complement the program, he noted.

50% of industrial end users purchase motion control products through distributors, says a Frost & Sullivan survey of 300 respondents.

"The IMC is the only industry event that provides plant and design engineers, OEMs, distributors, maintenance specialists, and other end users with an in-depth understanding of how all three motion control technolgies can more effectively interface," Berey said.

In keeping with this objective, Berey noted that the first group of conference sessions will focus on the "Basics of Motion Control." This will include sessions on software driven motion control, the mechanics of motion for the non-mechanical engineer, fluid power for the non-fluid power engineer, basic solid-state electronics for the non-electronic engineer, and fundamentals of programmable logic controllers.

The other two major program tracks include sessions entitled "Selecting the Best Motion Control System for your Specific Application" and "Beyond the Basics." A series of case histories on how various companies have successfully combined the technologies will also be featured at the conference.

For distributors pondering whether they should attend the November show, a recent report published by market research group Frost & Sullivan, Inc. offers some interesting insight.

The report said that as U.S. industries switch to electrical/electronic systems from the traditional pneumatic and hydraulic servo systems, motion control sales are expected to reach $551 million by 1992, up from $489 million in 1988. In addition, Dr. William Hahn, one of the analysts who researched the report, noted that 50% of the end users surveyed said that they purchased motion control products through industrial distributors (see chart).

For more information on the IMC, call either National Expositions Co. at (212) 391-9111 or the show's sponsor, the Power Transmission Distributors Assn. at (312) 825-2000. For more information on the Frost and Sullivan report, contact Susan Call at (212) 233-1080. □

B&D reaps rewards from national TV ads

HUNT VALLEY, MD-Power tool giant Black & Decker (B&D) is starting to reap rewards from the industrial grade ads it has been running on nationally televised sports programs.

Scott Hennessy, a director of marketing for B&D's U.S. Power Tools Group, said that the ad campaign has dramatically improved brand preference among end users. "The national ad campaign is only one component in a concerted effort by B&D to improve its image among professional users," Hennessy said.

According to Hennessy, the ads, which ran recently during the NCAA Basketball Tournament and the Indianapolis 500, were targeted at males between the ages of 25 and 54. He said B&D selected sports shows based on market research which found that a significant portion of professional users are male, watch sports regularly and are in that 25 to 54 age category. The ad campaign kicked off during the 1987

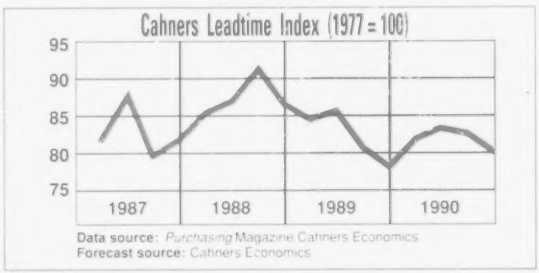
SUPPLY OUTLOOK

BY KRIS BLEDOWSKI

Metalworking Industry Slows

While demand softens, inflation pushes costs up

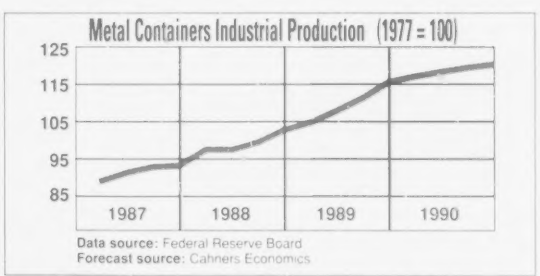
Output of manufactured industrial products has been showing signs of levelling off. After uninterrupted growth through 1988, industrial production of tools and hardware declined for the second month in a row in February, falling 0.9% since the beginning of the year. Structural metal products registered an 0.6% slide in February while power transmission distribution sales went down 5.0% the same month. We forecast growth of fabricated metals output to slow from 8.9% in 1988 to 2.5% this year before rebounding 7.6% in 1990.



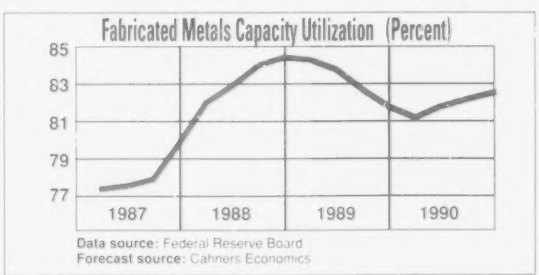
Other supply indicators appear more cloudy. Capacity utilization rates for metals went down from 84.8% in January to 84.4% in March. At the same time, leadtimes did not show any strong pattern. Cahners exclusive leadtime index for 125 industrial materials declined 2.9% since the beginning of the year. Leads for fasteners and valves have been holding steady during the first four months, while those for nonfriction bearings have declined.

Prices of industrial materials shot up in the first quarter. The producer price index for fabricated metals rose 8.7% on an annual basis, much higher than at any time during the current expansion. Prices for mechanical power transmission equipment went up at an annual rate of 4.3%, somewhat lower than the overall index for finished goods.

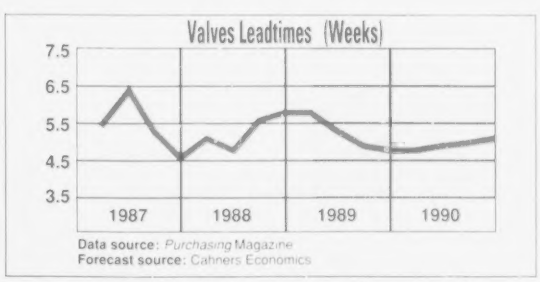
These mixed supply indicators show an economy losing momentum while at the same time experiencing inflationary pressures from higher materials and labor costs. While the soft demand side is likely to continue for the rest of the year, higher inflation and interest rates can aggravate an expected mild slowdown. Low growth and high inflation, often termed 'stagflation', could persist for about 12 months before the economy picks up in 1990. □



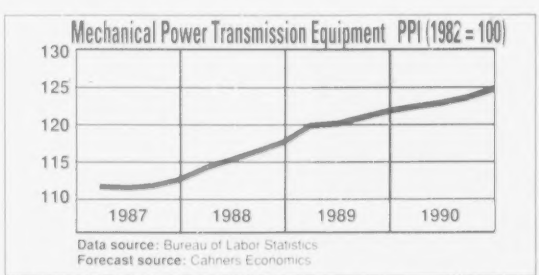
The metal containers sector will not experience a major slowdown during 1989, registering growth of 10.6%.



Capacity utilization of fabricated metals will fall to about 82% by the end of 1989 and stay at that level through 1990.



Look for a substantial shortening of leads for valves, from an average of 5.7 weeks in 1988 to 5.2 weeks in 1989.



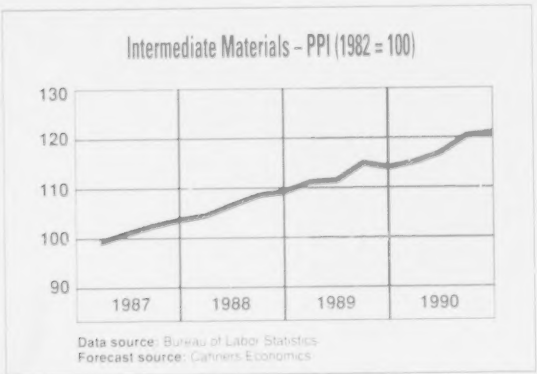
Prices of power transmission equipment drifted upward 1.8% between December and March, lower than overall inflation.

SUPPLY OUTLOOK

Producer Inflation Accelerates

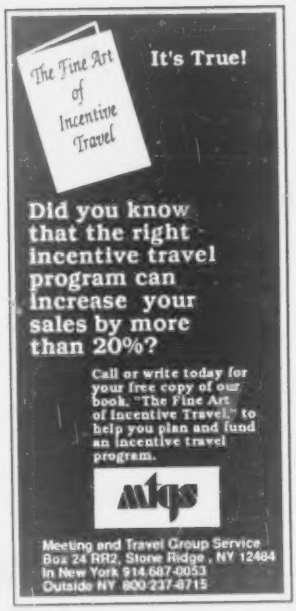
The producer price index for intermediate materials moved up 0.7% in March, continuing a recent trend of large monthly increases. Higher food and energy prices accounted for much of the advance.

Prices for durable and nondurable manufacturing materials behaved in different ways in March than in February. The nondurable manufacturing materials index decelerated from advances of 0.7% and 0.8% in January and February to a 0.2% rise in March. In contrast, prices for durable goods, which had slowed to an increase of 0.2% in February, registered a March surge of 1.1%.



After rising 5.5% in 1988, intermediate materials prices will post a similar jump this year and 4.9% in 1990.

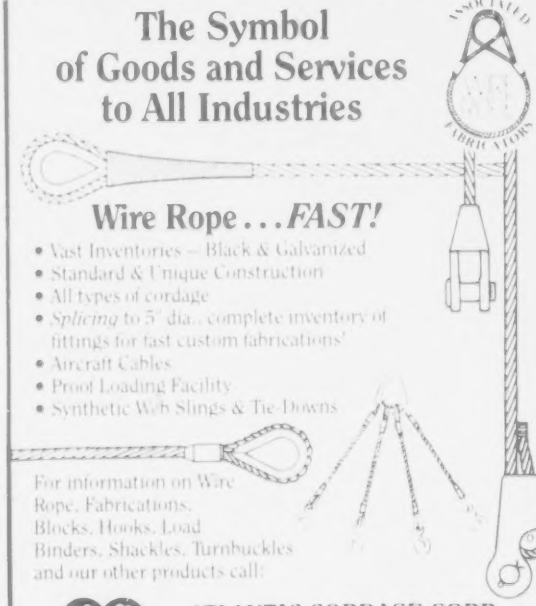
Expect producer inflation to average 4.2% this year, sharply higher than last year's 2.5% rate.


The Fine Art of Incentive Travel
It's True!
Did you know that the right incentive travel program can increase your sales by more than 20%?
Call or write today for your free copy of our book, "The Fine Art of Incentive Travel," to help you plan and fund an incentive travel program.
mtgs
Meeting and Travel Group Service
Box 24 RR2, Stone Ridge, NY 12484
In New York 914-687-0053
Outside NY 800-237-8715

Circle No. 33

ATLANTIC CORDAGE CORP.

The Symbol of Goods and Services to All Industries



Wire Rope . . . *FAST!*

- Vast Inventories – Black & Galvanized
- Standard & Unique Construction
- All types of cordage
- *Splicing* to 5" dia., complete inventory of fittings for fast custom fabrications
- Aircraft Cables
- Proof Loading Facility
- Synthetic Web Slings & Tie-Downs

For information on Wire Rope, Fabrications, Blocks, Hooks, Load Binders, Shackles, Turnbuckles and our other products call:

ATLANTIC CORDAGE CORP.
60 Grant Avenue, Carteret, NJ 07008
(201) 541-5300 • Telex: 139374
Cable ATLANCORD • Fax: (201) 541-9555

Circle No. 32